

CSR LEVEL OF NGO'S FINANCIAL TARGET GROUPS AND ITS IMPACT ON NGO'S SUSTAINABLE DEVELOPMENT – RESEARCH STUDY FROM NGO IBEC CENTER, SERBIA

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Abstract : Aims of Non Government Organizations (NGO's) in developed countries are sometimes similar or the same with NGO's in undeveloped countries, but financial resources, possibilities for strategic development, public acceptance of new-democratic approaches, public knowledge and awareness regarding NGO's purpose is quite different. Financial target groups (FTG's) of NGO's are organizations whose role and purpose regarding Corporate Social Responsibility (CSR) is to grant funds for realization of different goals which they support over NGO's with high expertise in required field. The aim of this paper is to present the CSR level of NGO's FTG's by measuring their response on different actions initiated by NGO and how that frequency of responses, positive and negative, influence on NGO's sustainable development (SD) in highly turbulent economical and political environment.

Keywords: Non Government Organization, Target Groups, Corporate Social Responsibility, Sustainable development

JEL Classification: L31, M3, M14, R58

1. INTRODUCTION

In undeveloped countries with high economic and political turbulences, such is Serbia, SD of NGO's has become very important issue, but only for NGO's, since there is low effort from the NGO's FTG's to make things different. Federal and

local government, public enterprises, private enterprises, domestic and foreign foundations, domestic and foreign funds and individuals presents FTG's of NGO's. Since the NGO's represents nonprofit organizations and most of their activities are funded by FTG's, their survival on the market and successful realization of stated goals are always brought to question when there is low response from FTG's on NGO's initiative. This situation does not only refer to Serbia, but also for all undeveloped countries with high economic and political turbulences. FTG's are aware of roll and significance of NGO's and entire non-profit sector, but since they have slow economic growth and in many cases constant financial deficit, like Serbian government for instance, there are no many possibilities for serious development of NGO sector. What are the implications of such approach? The implications can be various and very concerning and in the end it always influence on part of the population which is most affected and endangered by frequent economic and political turbulences, mostly negative. Since the Serbia is very specific country regarding her ruling system, especially because it is still in birth phase of implementing democracy as new ruling system after long domination of communism and socialism. It is crucial to state that non-profit sector is also in birth phase in Serbia and according to increasing number of NGO's in past decade, it can be said that with more implementation of democratic principles, there is more development in nonprofit sector. This is not unusual phenomena, it is quite logical course of action, but there is a great gap between development of Serbian government and development of Serbian NGO's. Even with the limited funds and sometimes very difficult working conditions, success and the number of implemented projects by NGO's in Serbia are on very high level. NGO's are aware that they cannot expect great support from FTG's in Serbia, since they have trouble to survive and they are constantly accumulating financial deficit, but they are also aware that such approach can cause large problems in different areas of social life and in some cases damage can be much greater than necessary initial investment for taking care about certain - emergent issue. All this pulls the question about the level and frequency of response of FTG's on NGO's initiative and how that affects on NGO's SD and further, how that affects on society development in general. This paper is designed to answer on this question by covering theoretical background for NGO's and CSR in order to explain the importance of active participation of FTG's in NGO's business and in the end by presenting methods and results how we have conducted this research in order to test the hypotheses.

2. THEORETICAL BACKGROUND

NGO in focus.

NGO's represents relatively new issue and what positive is that there is constant upgrading of theory since we have more active and more present nonprofit sector on all meridians. There are significant number of scientific papers that highly contributes the theory regarding roll and significance of NGO's. NGO's play an important and increasing role in international development (Werker & Faisal 2008), but there is still great part of the world where NGO's are still in birth phase and with more responsibility from FTG's on local level, the level of influence and significance can be much higher on international level. World Bank defines NGO's and not-for-profit organizations as civil societies that have a presence in public life, expressing the interests and values of their members or others, based on ethical, cultural, political, scientific, religious or philanthropic considerations (<http://web.worldbank.org>). United Nations provides more detailed definition with special reference on NGO's orientation. NGO's are not-for-profit groups, principally independent from government, which are organized on a local, national or international level to address issues in support of the public good. Task-oriented and made up of people with a common interest, NGO's perform a variety of services and humanitarian functions, bring public concerns to governments, monitor policy and program implementation, and encourage participation of civil society stakeholders at the community level (<http://www.unrol.org>). The aim of NGO's is to improve the well being of their members and of those areas in which they exist (Turner & Hulme, 1997:200), but if we consider broader scope, the well being of members are more related to civil societies and the well being of members and specially selected public is more related to NGO's. It is crucial to state the difference between nonprofit organizations, but it is also crucial to state that these organizations share common ground in many cases. Salomon and Anheier argue that despite their diversity, however, different kind of nonprofit organizations share some common features. In particular, they are:

- Organizations, i.e., they have an institutional presence and structure;
- Private, i.e., they are institutionally separate from the state;
- Not profit distributing, i.e., they do not return profits to their managers or to a set of "owners";
- Self-governing, i.e., they are fundamentally in control of their own affairs; and

- Voluntary, i.e., membership in them is not legally required and they attract some level of voluntary contribution of time or money (Salamon & Anheier 1999:3).

In past decade we have more papers on issue regarding NGO's independent sustainability and how NGO's in undeveloped countries should seek for alternative financial resources, but the questions arises how efficient the NGO's will be if they putt maximum effort in searching for alternative financial resources instead of putting maximum effort in formulation and implementation of different projects. That is one issue, the other, also very important issue regarding alternative financial resources is competences and continuum of NGO's in that matter. A sustainable approach to NGO financing is one that avoids dependency on any single source of revenue, external or internal. It is difficult to determine a formula for the percentages that need to be derived from various sources in order to support a "financially sustainable NGO" (Alymkulova & Seipulnik 2005). We have more and more projects, practical cases and theories regarding the necessity of alternative financial resources for NGO's, but if go deeper in that issue we will find that NGO's needs to act as profit organizations in order to fill the financial gaps and to survive on the market. The number of NGO's in Serbia in 2011 was 15.700, with 4.200 employees, 4.500 freelance associates, 150.000 volunteers and with several hundred thousand members. The results of the research conducted by Ipsos strategic marketing and with the support of USAID shows that approximately 60% of NGO's in Serbia are in areas of social work, culture, media or environmental protection. Majority of NGO's have had smaller budgets below 20.000 euro in 2010 and every tenth organization has had budget over 100.000 Euros in 2010. Research on status in civil sector in Serbia has shown that 76 % of NGO's don't have funds for year of 2012 (www.inkluzija.gov.rs). The question arises, from the above stated definitions on NGO's, is NGO's mission to survive and to seek for alternative resources, or NGO's mission is to fill the gap in government and private sector social activities ? If NGO's efforts are pointed on surviving and seeking for alternative resources and this situation is very common in undeveloped countries, in that case the problem arises regarding successful realization of NGO's goals, mission and vision. In this situation the most of NGO's human resource capacity is engaged in seeking for alternative financial resources and their attention is on different course which can cause new – different implications on SD of NGO's. NGO's mission is to fill the gap in government and private sector social activities, but that action is conditioned with constant funding and active engagement of FTG's towards NGO's. The question

still exists regarding level of FTG's involvement with NGO sector, because according to the research data almost 76% of NGO's in Serbia don't have funds for year of 2012 and that is quality indicator which shows necessity for analysis of CSR level of FTG's and its impact on SD of NGO's. According to everything stated, proving that CSR level of FTG's is low, insufficient and that it has major impact on SD of NGO's is one thing and that approach has certain scientific and practical implications, but purpose of this paper is much more concentrated on FTG's instead on NGO's, because FTG's in undeveloped countries must understand that with the developing of CSR they can significantly change their business in positive direction and if they do that, NGO sector and all nonprofit sector will have less problems regarding funding and will be more efficient in fulfilling their goals.

CSR in focus.

CSR represents well established practice in developed countries, but it is totally different picture in undeveloped countries. Good practice in promoting CSR in undeveloped countries has been initiated from foreign Multi National Corporations (MNC's), but more as a result of established corporate culture and policy from headquarters than real need for CSR on the undeveloped market. MNC's represents only one target group of NGO's in financial matter, but what is common for all FTG's in financial matter is that almost majority of their financial grants are granted under shell of CSR. So, if we discuss FTG's CSR level towards NGO's, we discuss about how much FTG's separate financial and other resources in order to support NGO's activities which are sometimes related and sometimes not with FTG's plans, goals or business in general. World Business Council for Sustainable Development in their latest report *Meeting Changing Expectations* defines CSR as commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (www.wbcsd.ch). The focus of this part of the paper is more pointed on explaining real purpose of CSR towards FTG's financial and other performances. Therefore we have to discuss about CSR as business strategy and does it affects positively or negatively of FTG's performance. CSR is business strategy that is integrated with core business objectives and core competencies of the firm (McElhaney 2009) and with the constant implementation of this strategy company can create different benefits such as: Increasing sales and market share, strengthening the position of the brand, strengthening corporate image and influence, strengthening the capability

to attract, motivate and hold their employees, decrease business costs and increasing the attractiveness for investors and financial analysts (Kotler&Lee 2005). Craig Smith in his article published by Harvard Business Review explains regarding CSR that new corporate philanthropy is a long term twist for special social questions and initiatives; providing something that presents more than money contributions...and everything should be done on the way it is useful for business goals as well (Smith 1994). According to many articles published on topic regarding CSR and from data already stated in this paper we can conclude that CSR presents business strategy which highly contributes to FTG's business performance. According to data regarding financial sustainability of NGO's in Serbia we can see that there is a problem in constant financing from the side of FTG's and with our research we want to show the CSR level of FTG's and how that affects on SD of NGO's, but also the results will show the current state of practice of FTG's which is valuable data for future research regarding reversible method of research which can explain how low or high CSR level affects on business performance on FTG's. Summarizing, according to stated definitions, real situation on the field and data from the market regarding NGO's financial sustainability we have following hypothesis:

Hypothesis 1a (H1a) *Low CSR level of NGO's FTG's has high negative impact on SD of NGO's*

Hypothesis 1b (H1b) *High CSR level of NGO's FTG's has high positive impact on SD of NGO's*

3. METHODS

For our research we have choose to examine the CSR level of 551 FTG's in Serbia, by formulating and implementing four different CSR actions-projects. In four different CSR actions we have sent 961 pleas for support to 551 FTG's for year 2012/2013. The following FTG's were selected as a sample for our research: Federal government (ministries), local government (municipalities), public companies, private companies, foundations and funds, banks and educational institutions (faculties). For our **first CSR action** we have formulated pleas for support where we asked FTG's for possibility in signing agreement of understanding in order to create such cooperation where our NGO can help the realization of social projects and activities of FTG with available resources and vice versa. Our plea didn't include any financial context or granting any other non financial resources. This plea for first CSR action was sent to the following

FTG's: Federal government – 17 ministries, Local government – 144 municipalities. The federal and local government was our primary target for this action since with their support and logistic, we can implement our projects on more efficient and effective way. Our plea also included unconditional offer in formulating and implementing projects which are in primary interest of FTG, especially we offered support in writing applications for grants from foreign funds. For our **second CSR action** we have formulated pleas for support in founding first library for endangered persons and part of population which lives below poverty line. The plea had all details about the project and we were asking from our FTG's to donate used and new books. The donation in financial or any other non financial resources wasn't mentioned in our plea. This plea for second CSR action was sent to the following FTG's: 47 Publishing houses, 24 Banks, 28 Educational institutions, 22 Foundations and funds, 51 Public companies, 17 ministries and 78 municipalities. This action was different from our first CSR action in nature of support. In this action we also wanted to analyze specific form of CSR, which is pointed on providing non financial support and non financial resources in general and active participation for public interest. For our **third CSR action** we formulated pleas for support in founding first mobile IT school for endangered persons and part of population which lives below poverty line. We were asking from our FTG's support in donation of new and used lap top computers or financial resources which will be used for purchasing new lap top computers and successful realization of this project. The plea for third CSR action was sent to the following FTG's: 63 Private companies, 28 Educational institutions, 24 Banks, 22 Foundations and funds, 51 Public companies, 17 ministries and 78 municipalities. For our **fourth CSR action** we formulated pleas for support where we were asking for donation in financial resources for supporting our goals. Our plea contained detailed presentation of our goals, our implemented and our ongoing projects. This CSR action was different from all three already explained, because we strictly asked for financial resources and only from certain FGT's. The plea for fourth CSR action was sent to the following FTG's: 17 Ministries, 78 Municipalities and 155 Public companies.

4. RESULTS

The results from our research are presented in the Table 1.1 and Table 1.2.

Table 1.1 – The results from CSR action 1 and 2

FTG's	CSR ACTION 3				CSR ACTION 4			
	RP	PR	NR	WR	RP	PR	NR	WR
Federal government	17	0	0	17	17	0	0	17
Local government	78	0	0	78	78	0	0	78
Public companies	51	0	1	50	155	0	0	155
Foundations - Funds	22	0	2	20	X	X	X	X
Banks	24	0	1	23	X	X	X	X
Private companies	63	0	2	61	X	X	X	X
Education institutions	28	0	0	28	X	X	X	X
Level of CSR in % *	100% negative CSR lev.				100 % negative CSR lev.			
Number of FTG's in CSR action 3 and 4	283				250			

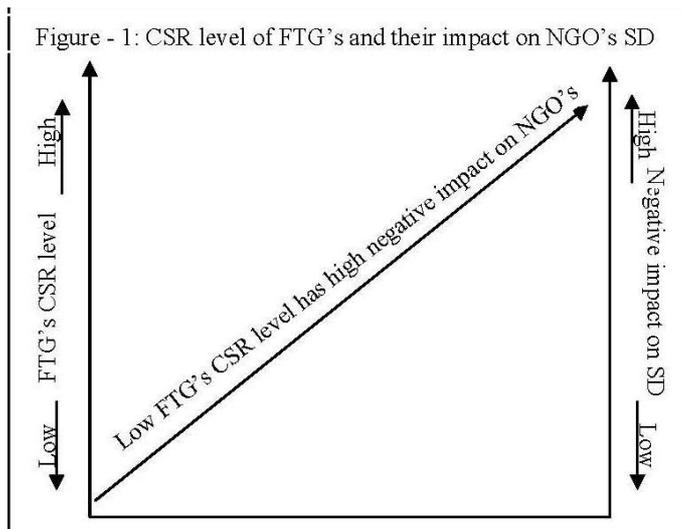
RP-received

pleas, PR – positive response, NR – negative response, WR – without response

Table 1.2 – The results from CSR action 3 and 4

FTG's	CSR ACTION 1				CSR ACTION 2			
	RP	PR	NR	WR	RP	PR	NR	WR
Federal government	17	0	0	17	17	0	0	17
Local government	144	0	1	143	78	1	0	77
Public companies	X	X	X	X	51	0	0	51
Foundations - Funds	X	X	X	X	22	0	0	22
Banks	X	X	X	X	24	0	0	24
Private companies	X	X	X	X	47	38	3	6
Education institutions	X	X	X	X	28	0	0	28
Level of CSR in % *	100% negative CSR lev.				85,7% negative CSR lev.			
Number of FTG's in CSR action 1 and 2	161				267			

The results from our implemented CSR actions has shown 100 % negative - low CSR level in three CSR actions and 85,7 % in one CSR action. We had negative implications on our SD since the majority of FTG's has shown great lack for involving in different projects in nonprofit sector and therefore they have completely disregarded CSR. Since our NGO didn't have alternative resources for successful realization of four CSR actions, low level of FTG's had high negative impact on our SD. The results have confirmed our H1a that low CSR level of NGO's FTG's has high negative impact on SD of NGO's and vice versa for H1b.



5. LIMITATIONS AND CONCLUSION

There are a number of limitations to our research which has to be mentioned and used for future more content and comprehensive research on this topic. First limitation is that our research has covered only one NGO and we didn't investigate how many other NGO's have contacted FTG's for specific form of donation and did the FTG's has granted any donation in our period of research. Second limitation is period of research. We have covered only two years. Our recommendation for future research is to compare time before global economic crises from 2004 to 2008 with the period after global economic crises from 2009 to 2013.

Beside certain number of limitations, we have covered large number of different FTG's in order to explain that their low level of CSR has high negative impact on NGO's SD. Our recommendation for NGO's which operates in Serbia and on similar markets, is to start to create different strategies in order to attract alternative resources if they want to survive and in the best case to maintain the SD. With this kind of understanding of CSR from the side of NGO's FTG's, there will be only a greater gap in social activities between government – private towards social sector. This gap can have negative implications on FTG's performance and our recommendation is that all FTG's should accept CSR as their core business strategy if they want significantly to upgrade their competitiveness like their competitors from developed countries.

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